

Message Text

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ACTION AF-06

INFO OCT-01 EUR-12 ISO-00 AGR-05 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 L-02 H-02 PRS-01 PA-01 SAJ-01

MMS-01 DODE-00 INT-05 ACDA-05 IO-10 /119 W

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R 201411Z MAY 75

FM AMEMBASSY ADDIS ABABA

TO SECSTATE WASHDC 4526

INFO AMCONGEN ASMARA

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY NAIROBI

C O N F I D E N T I A L ADDIS ABABA 5949

E.O. 11652: GDS

TAGS:

SUBJECT: EEC COUNTRIES SEND SECOND JOINT NOTE TO EPMG ON
NATIONALIZATION

REF: A) ADDIS 3859; B) ADDIS 3308

1. ON MAY 13, EEC EMBASSIES IN ADDIS SENT A SECOND JOINT NOTE
ON NATIONALIZATIONS. WHILE THEIR INITIAL NOTE OF FEB 14
CONCENTRATED STRICTLY ON COMPENSATION ISSUES RELATING TO THE
NATIONALIZED ENTERPRISES, THE SECOND PRIMARILY DEALS WITH THE
RIGHTS OF THE FORMER MANAGERS AND OWNERS OF THESE CONCERNS.

2. WHILE NOTING WITH SATISFACTION THE EPMG'S INTENTION TO COMPENSATE
THE FORMER OWNERS OF NATIONALIZED ASSETS, THE EEC EMBASSIES
SUMMARIZED THE CURRENT PROBLEMS WHICH THE FORMER MANAGERS AND
WNERS FACE. UNDER THE NATIONALIZATION PROCLAMATION (PROCLAMATION
NO. 26) OF MARCH 11, 1975 (SEE REF B) THE FORMER MANAGERS AND
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OWNERS HAVE RESPONSIBILITY FOR DIRECTING AND MANAGING THE FIRMS

UNTIL THEY ARE REPLACED BY "THE APPROPRIATE PUBLIC AUTHORITY". SOME MANAGERS HAVE BEEN REPLACED, OTHERS HAVE NOT AND EVEN WHERE MANAGERS HAVE BEEN APPOINTED, THESE ARE OFTEN "INTERIM" APPOINTMENTS WHICH DO NOT RELEASE THE FORMER OWNERS AND MANAGERS FROM THEIR RESPONSIBILITIES. THEREFORE, THE EMBASSIES RECOMMENDED THE EARLY APPOINTMENT OF NEW MANAGERS WITH FULL RESPONSIBILITIES TO END UNCERTAINTIES FOR EEC COUNTRY NATIONALS.

3. THEY EXPRESSED CONCERN ABOUT THE PROCLAMATION'S PROVISION WHICH PROHIBITS FORMER MANAGERS FROM RESIGNING UNTIL THEY HAVE HANDED OVER THE ENTERPRISE TO "THE APPROPRIATE PUBLIC AUTHORITY". CONCERNED THAT THIS GIVES THE EPMG POWER TO DENY FOREIGN NATIONALS THE RIGHT TO LEAVE ETHIOPIA, THE EEC EMBASSIES REMINDED THE EPMG OF ARTICLE 13.2 OF THE UNIVERSAL DECLARATION OF HUMAN RIGHTS WHICH GUARANTEES THE RIGHT OF EVERY INDIVIDUAL TO LEAVE ANY COUNTRY.

4. FURTHER THE EEC EMBASSIES BELIEVE THAT THE CONTRACT TERMS FOR FOREIGN NATIONALS EMPLOYED BY THE NATIONALIZED COMPANIES MUST BE FULLY HONORED, ESPECIALLY THOSE PROVISIONS CONCERNING COMPENSATION FOR PREMATURE CONTRACT TERMINATION. ALSO THEY VIEW ARTICLE 1 OF THE PROCLAMATION, PROVIDING THAT WORKERS IN NATIONALIZED INDUSTRIES MUST CONTINUE TO WORK AS BEFORE, AS CONTRADICTION ARTICLE 23.1 OF THE UNIVERSAL DECLARATION OF HUMAN RIGHTS AND PRINCIPLES INCORPORATED IN ILO RESOLUTIONS SINCE IT DENIES THE FREEDOM OF FOREIGN NATIONALS TO LEAVE THEIR EMPLOYMENT. FINALLY THE EMBASSIES REGARD AS IMPORTANT THE RECEIPT OF ADEQUATE ASSURANCES OF THE CRITERIA AND THE TIME LIMITS TO BE ADOPTED FOR THE IMPLEMENTATION OF PROCLAMATION NO. 26.

5. THE NOTE CLOSES BY EXPRESSING THE CONFIDENCE OF THE EEC EMBASSIES THAT THE EPMG WILL VERY CAREFULLY CONSIDER THE ABOVE OBSERVATIONS IN APPLYING PROCLAMATION NO. 26 -TO THEIR NATIONALS". THEY ALSO HOPE IN LIGHT OF THEIR "FRIENDLY COOPERATIVE RELATIONS" WITH ETHIOPIA THAT THE EPMG "WILL PROVIDE THE REQUEST ASSURANCES TO GRANT PROPER PROTECTION TO THE INTERESTS AND RIGHTS OF THEIR CITIZENS LIVING IN ETHIOPIA".

6. COMMENT: THE EEC COUNTRIES FACE A PARTICULAR PROBLEM WITH THE RELATIVELY LARGE NUMBER OF THEIR NATIONALS SERVING IN MANAGERIAL

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AND TECHNICAL CAPACITIES WITH THE NOW NATIONALIZED FIRMS. FROM OUR CONVERSATIONS WITH SOME OF THESE EXPATRIATES WE HEAR OF THEIR FRUSTRATIONS OVER THEIR AMBIGUOUS POSITION OF RESPONSIBILITY WITHOUT AUTHORITY. SOME HAVE CONTRACT PROBLEMS AND MANY WANT TO LEAVE. UNDOUBTEDLY, THE EPMG IS FINDING THAT THE DETAILS OF NATIONALIZATION ARE MORE COMPLEX AND TAKING LONGER TO WORK OUT THAN ORIGINALLY ANTICIPATED. THEY WANT TO APPOINT QUALIFIED MANAGERS BUT THIS TAKES TIME. ALSO THE FUTURE ROLE OF SUB-

MANAGERIAL EXPATRIATES IN THE NATIONALIZED CONCERNS HAS NOT BEE
CLARIFIED AND THIS AFFECTS THE WILLINGNESS OF NATIONALIZED FIRMS
TO ASSUME CONTRACT PROVISIONS NEGOTIATED UNDER THE PREVIOUS OWNERS.
FINALLY, THE EPMG IS SUSPICIOUS THAT MANY FOREIGNERS HAVE BEEN AND
ARE AVOIDING THEIR TAX LIABILITIES. THIS IN PART EXPLAINS THE
EPMG'S RELUCTANCE TO FACILITATE EARLY PERMANENT DEPARTURE
OF THESE EXPATRIATES.
HUMMEL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATIONALIZATION, INDUSTRIAL PRODUCTION
Control Number: n/a
Copy: SINGLE
Draft Date: 20 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ADDIS05949
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750177-0077
From: ADDIS ABABA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750533/aaaabdlh.tel
Line Count: 123
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 ADDIS 3859, 75 ADDIS 3308
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 21 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 MAY 2003 by CunninFX>; APPROVED <03 OCT 2003 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EEC COUNTRIES SEND SECOND JOINT NOTE TO EPMG ON NATIONALIZATION
TAGS: ECON, EINV, ET
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006